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TO RUEHC/SECSTATE WASHDC PRIORITY 1441
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RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
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INFO RUEHFK/AMCONSUL FUKUOKA 5859
RUEHNH/AMCONSUL NAHA 8255
RUEHNAG/AMCONSUL NAGOYA 4489
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SUBJECT: TOKYO MEDIA REACTION - GLOBAL ECONOMY

¶1. LEAD STORIES: Most Friday morning papers gave prominent front-page play to a growing boycott across Japan of frozen food from China in response to an increase in the number of consumers who complained of food poisoning after eating frozen Chinese-made dumplings contaminated with an agricultural chemical.

¶2. "Explore Path Toward Enhanced Coordination" The liberal Tokyo Shimbun argued in an editorial (2/1): "The Fed's decision to additionally reduce interest rates was a bold act that demonstrated its determination that thorough measures will be taken if needed.... Monetary authorities across the world are paying close attention to developments in the financial sector in the face of the ongoing global stock market turmoil.... A G-7 financial ministerial will be held in Tokyo starting on Saturday. Member states should issue a clear message aimed at stabilizing the financial markets."

¶3. "Unusual Decision to Avert Crisis" An editorial in the top-circulation, moderate Yomiuri stated (2/1): "The Fed has been criticized for acting too slowly on the subprime loan crisis and the worldwide stock market turbulence. The unusual back-to-back rate cuts signal a clear policy shift toward prioritizing the prevention of a recession over containing the possibility of inflation sparked by high oil prices.... The most worrisome thing is that there appears to be no end in sight to the subprime loan crisis. U.S. authorities need to mobilize all their fiscal and monetary tools, including the injection of public funds and additional

interest rate cuts."

14. "Fed Undertakes Additional Rate Cut" The business-oriented Nikkei editorialized (2/1): "The Fed cut interest rates twice in just over a week. In announcing the second rate cut, the Fed statement said: 'Financial markets remain under considerable stress.' The Fed acknowledged that optimism is not warranted about financial markets despite the earlier rate cut, sharing concerns held by market players.... Also noting that 'it will act in a timely manner as needed,' the Fed hinted at the possibility of further cuts. It appears to be well aware that a recession is in the offing."

SCHIEFFER